

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7684

BILL NUMBER: HB 1644

NOTE PREPARED: Jan 24, 2003

BILL AMENDED:

SUBJECT: State Financing of Health Facility Closures.

FIRST AUTHOR: Rep. Hasler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X
X

GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill creates the Health Facility Transition Incentive Fund and appropriates \$10,000,000 to the Fund from the interest that accrues from investment of the Indiana Tobacco Master Settlement Agreement Fund. The bill establishes the Health Facility Transition Review Committee to review and accept or reject according to specified factors applications from qualified health facilities for the purpose of purchasing and closing health facilities to reduce the number of unoccupied licensed beds at health facilities throughout Indiana. The bill authorizes the Department of Administration to negotiate the terms and conditions of a contract to purchase an approved health facility's real property and requires the Department to offer for sale or lease the acquired real property. The bill also creates a moratorium on the addition, construction, and conversion of comprehensive care beds until July 1, 2007. It also provides exceptions for comprehensive care beds that received a certificate of need under prior law or comprehensive care beds for which construction plans were approved and construction was begun before July 1, 2003.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: The bill would appropriate \$10.0 M of interest accrued on the investment of the Indiana Tobacco Master Settlement Agreement Fund to the Health Facility Transition Incentive Fund (the Fund) established under the bill. (The Tobacco Master Settlement Agreement Fund accumulated interest is available for transfer, distribution, or expenditure with a specific appropriation by the General Assembly.) The Health Facility Transition Incentive Fund would be used to purchase real property from health facilities that have applied and been approved for closure, and would receive funds from the subsequent sale or lease of the real properties acquired. At the end of FY 2002, accumulated interest income in the Tobacco Master Settlement Agreement Fund was \$13.2 M.

The bill would allow a facility with 25% or more of its licensed beds unoccupied to apply to close the facility and sell the real property (i.e., land, buildings, and fixtures) to the Department of Health (DOH). Excess nursing home beds in the state in conjunction with facilities with low occupancy contribute to Medicaid long-

term care institutional costs. Costs are reduced in the long-term care system when an inefficient facility closes (as opposed to simply delicensing beds) because fixed and certain indirect costs are completely eliminated. The extent to which this bill would influence nursing home costs in the Medicaid program would be dependent upon how many facilities might choose to cease operations because of the opportunity to sell a facility to the state for alternate uses.

The bill specifies that the Department of Administration (DOA) would be responsible for appraisals and negotiating the purchase and sales of the real property of a facility. Once the Health Facility Transition Review Committee agrees to the sale, DOA would be given approval to close, and would then be responsible for the maintenance, custody, and protection of the real property. DOA would also need to do environmental assessments of potential acquisitions to ensure the state does not incur additional expenses for remediation or abatement of environmental problems on the site of a property. The DOA would subsequently offer the property for sale or lease. There are no data to indicate how much expense would be incurred, the number of facilities that would elect to sell, or how long the properties would remain in DOA's custody. However, the bill allows for these expenses to be paid from the Transition Incentive Fund created by the bill.

The bill creates a nine-member Health Facility Transition Review Committee to approve rules developed by DOH for ranking facilities requesting closure, and to approve or reject applications for closure and acquisition. These considerations must include the availability of adequate placements for the residents of the facility, and the impact of closure on employees, and the availability of services in the locality, among other considerations. The Committee would approve or reject applications submitted by July 1, and would reconsider applications if the Department of Administration is unable to reach agreement for purchase of a property first approved. The Committee would be composed of two state employees, three lay members, and four nonvoting, advisory legislators.

State employees would not receive a per diem, but would have mileage and other expenses reimbursed. Lay members of executive boards, commissions and councils receive a \$50 per diem (as specified in Section 20 of the budget bill- P.L.291-2001) and reimbursement for travel. Based on the maximum daily amount allowable to employees of the executive branch of the federal government for subsistence expenses while away from home in travel status in the Indianapolis area, current reimbursement for Legislators is \$129 per diem and mileage reimbursement of \$0.345 per mile (as of November 8, 2002).

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: If the state purchases property held by a non-exempt owner, the property potentially could be removed from the local property tax roles. The exact impact would be dependent upon specific circumstances regarding the timing of a sales transaction, and the subsequent period of time the state would hold the property, as well as the tax status of the party purchasing the property from the state.

State Agencies Affected: Indiana State Department of Health, Department of Administration.

Local Agencies Affected:

Information Sources:

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